

## Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 INT-08 AID-20 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03

L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15 GSA-02 STR-08

DRC-01 /170 W

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R 310830Z JUL 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 5520

UNCLAS BANGKOK 12377

E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJ: DEPRESSED STATE OF THAI STEEL SCRAP USERS

REF : STATE 136535

1. BANGKOK POST JULY 19 CARRIED ARTICLE BASED ON INTERVIEW WITH MANAGING DIRECTOR OF GS STEEL, THAILAND'S LARGEST MANUFACTURER OF ROUND STEEL BARS. IN SUMMARY, ARTICLE STATED THAT COMPANY FORCED TO CUT PRODUCTION AN ADDITIONAL 25 PERCENT, THUS BRINGING TOTAL REDUCTION TO 35 PERCENT. COMPANY'S SURPLUS WAS GIVEN AS 10,000 TONS, AND FOR NATION AS A WHOLE 50,000 TONS. TOTAL PRODUCTION PER MONTH BY GS STEEL WILL BE REDUCED TO 7,000 TONS VERSUS 11,000 TONS PREVIOUSLY.

2. BECAUSE OF PRODUCTION COST, ACCORDING TO SAME SOURCE, A PRICE INCREASE OF 300 BAHT PER TON WOULD BECOME NECESSARY. MINISTRY OF COMMERCE REFUSAL TO PERMIT EXPORTS OF STEEL BARS, AS INDUSTRY HAS BEEN URGING, WAS BLAMED FOR CUT IN PRODUCTION AND FOR CONSEQUENT NEED FOR PRICE INCREASE.

3. OFFICIAL FROM GS STEEL CONFIRMED TO ECON/CML COUNSELOR  
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THE CORRECTNESS OF PRESS STORY, EXCEPT ON ONE POINT. SAID

TOTAL CUT IN PRODUCTION WAS 30 PERCENT INSTEAD OF 35 PERCENT.

4. SAME OFFICIAL, IN RESPONSE TO DIRECT QUESTION, STATED THAT PURCHASES HAD NOT BEEN MADE OF USG ALLOCATIONS TO THAILAND FROM US CONTINGENCY RESERVE BECAUSE OF THE HIGH PRICE. SAID LANDED COST OF SCRAP IN THAILAND WAS ROUGHLY \$210 PER TON, AND THIS SO HIGH IN RELATION TO GOVERNMENT FIXED PRICE FOR FINISHED PRODUCT, THAT IT LEFT NO PROFIT MARGIN. HOWEVER, HE EXPECTED DOMESTIC DEMAND TO INCREASE SOON IN STEP WITH REVIVAL OF CONSTRUCTION INDUSTRY. OTHER PRESS SOURCES HAVE REPORTED RTG WILLINGNESS TO INCREASE COST OF CONSTRUCTION CONTRACTS BY A MARGIN DESIGNED TO COMPENSATE FOR INFLATIONARY COST INCREASES. MANY CONTRACTORS HAVE SIMPLY STOPPED WORK AS THEIR COSTS MOUNTED. FINAL AGREEMENT NOT YET REACHED, HOWEVER, ONE REASON BEING THE NEED FOR THE GOVERNMENT TO FIND A SOURCE OF FINANCING. CURRENT BUDGET, WHICH EXPIRES OCTOBER 1, MADE NO SUCH PROVISION FOR ADDITIONAL EXPENDITURE ON CONTRACTS NEGOTIATED BEFORE STEEP PRICE INCREASES SINCE AUTUMN 1973.

5. PROBLEM FOR USG IN GRANTING ALLOCATION TO THAILAND FROM CONTINGENCY RESERVE IN THIRD AND FOURTH QUARTERS, IN LIGHT OF POOR PURCHASE RECORD IN FIRST AND SECOND QUARTERS, WAS BROUGHT TO ATTENTION OF GS STEEL OFFICIAL. HE RECOGNIZED THAT THAI CASE NOT VERY STRONG BUT EXPRESSED HOPE THAT THAILAND WOULD CONTINUE TO RECEIVE ITS REGULAR ALLOCATION. ASSERTED THAT DEMAND EXPECTED TO INCREASE SHARPLY AND SOON IN THAILAND, FOR REASONS OUTLINED ABOVE.

6. COMMENT: EMBASSY URGES THAT THAILAND CONTINUE TO BE GIVEN REGULAR STEEL SCRAP ALLOCATION, WITH QUESTION OF ADDITIONAL ALLOCATIONS FROM CONTINGENCY RESERVE HELD IN ABEYANCE PENDING POSSIBLE FUTURE EMERGENCY DEVELOPMENTS. EMBASSY GRATEFUL FOR SPECIAL EFFORTS THAT WENT INTO OBTAINING INCREASES IN ALLOCATIONS FROM RESERVE.  
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## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Event:**  
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**Subject:** DEPRESSED STATE OF THAI STEEL SCRAP USERS  
**TAGS:** EIND, ETRD, US  
**To:** STATE  
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